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NAVAL AIR SYSTEMS COMMAND
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IN REPLY REFER TO

NAVAIRINST 4081.2
AIR-3.5.2
18 Sep 00

NAVAIR INSTRUCTION 4081.2

From: Commander, Naval Air Systems Command

Subj: POLICY GUIDANCE FOR ALTERNATIVE LOGISTICS SUPPORT CANDIDATES

Ref: (a) U.S. Code Title 10, Sections 2466, 2464, 2469, 2553

Encl: (1) Navy Alternative Logistics Support Candidate Flow Process
(2) Alternative Logistics Support Candidate Flow Process Block Descriptions

1. Purpose. To set forth objectives, establish policies, and assign responsibilities for the evaluation of Alternative Logistics Support (ALS) candidates that have been proposed to Naval Air Systems Command (NAVAIR), Program Executive Offices (PEO), competencies, depot repair sites, and the Naval Inventory Control Point (NAVICP), in compliance with reference (a).

2. Scope. This instruction applies to all echelons of command and all weapons systems under the management control of NAVAIR.

3. Objectives. To obtain maximum effectiveness in the evaluation and implementation of cooperative opportunities between the Government and private industry.

4. Background. Although the Naval Aviation Systems TEAM (TEAM) was granted authority to implement government-industry cooperative opportunities, following U.S. Code Title 10 statutory amendments, we lacked a process with which to review, evaluate, implement and then assess these ALS proposals. A team consisting of representatives from NAVAIR, NAVICP-Philadelphia and the Defense Logistics Agency (DLA) generated enclosures (1) and (2). This process is meant to be over-arching and defines the critical steps that must be taken prior to implementing an alternative support concept. It encompasses the legal, financial, and technical considerations that must be involved in evaluating a cooperative opportunity proposal. Government review teams are encouraged to adopt and implement this over-arching process, while tailoring it toward their specific needs/proposals/programs. This process is hereby being institutionalized for the TEAM.

5. Definitions

a. Logistics Support has traditionally approached the supply, repair, and maintenance of items necessary for the proper operation of a system using an organic, intermediate, depot, and inventory control point maintenance philosophy. The ALS approach includes any initiative that deviates from traditional logistics support, for example: Direct Vendor Delivery, Partnering, Teaming, Work Sharing, and Virtual Prime Vendor.

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b. ALS initiatives challenge traditional approaches toward integrated logistics support in that ALS initiatives can incorporate following:

- (1) reliability and availability enhancements;
- (2) total life cycle or long-term contractual terms; and
- (3) changes in maintenance philosophy.

c. ALS initiatives may include, but are not limited to, Direct Vendor Delivery (DVD) and/or Virtual Prime Vendor Delivery (VPV) proposals, partnering, government-industry teaming, and work sharing.

(1) DVD is a type of ALS where the provision of material and/or services provided by a commercial vendor meet a customer's requirement without the intervention of, or need for, organic inventory managers or intervening storage, material handling, and transportation systems yet, it provides increased product availability, reliability, technological insertions, and obsolescence management at a lower cost.

(2) Partnering is a mutually beneficial working arrangement between the public sector and private sector to increase the use of underutilized capacity, reduce costs, or efficiently manage operations. Partnering is authorized by U.S. Code Title 10, Chapter 146, Section 2474.

(3) Teaming is a cooperative arrangement where depots sell goods and services to the private sector provided the goods or services to the private sector are not readily available in sufficient quantity or quality from any United States commercial source. Teaming may result in a public depot being a subcontractor. Teaming is authorized under U.S. Code Title 10, Chapter 152, Section 2553.

(4) Work Sharing is a cooperative arrangement where work is shared between a depot and the private sector. The parties operate under a work share agreement Memorandum of Agreement (MOA) describing their relationship. Work sharing is a non-contractual relationship that requires no specific statutory authorization. Funding is provided directly to each party by the requiring activity.

6. Policy. It is the policy of NAVAIR to:

a. Evaluate, implement, and assess alternative/non-traditional logistics support proposals using reference (a) as general guidance, following the provisions of enclosures (1) and (2).

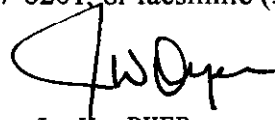
b. Document and distribute lessons learned on the evaluation and implementation of non-traditional/alternative, cooperative opportunities between the Government and private industry.

c. Institutionalize ALS initiatives within the TEAM by providing a focal point for initiative tracking, lessons learned, policy and process information. The ALS Team (AIR-3.5.2) has been designated as this focal point and will provide facilitation and assistance to Program IPTs.

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7. Responsibilities. Following the guidance provided in enclosures (1) and (2), program teams will establish cooperative opportunity review teams including, but not limited to, representatives from Industrial Operations (AIR-6.0), Research and Engineering (AIR- 4.0), and Logistic (AIR-3.0) competencies, the NAVICP and the DLA in order to ensure that all legal, financial, and technical considerations are made during the evaluation, implementation and assessment of alternative logistics support initiatives.

8. Point of Contact (POC). Logistics Management (AIR-3.1) will be identified as the POC; commercial phone number (301) 757-8201, DSN 757-8201, or facsimile (301) 757-8251.



J. W. DYER

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Navy Version
Alternative Logistics Support (ALS)
Candidate Flow Process Block Descriptions

1. Definition. Alternative Logistics Support (ALS) initiatives encompass any initiative that requires multi-competency, multi-organization teamwork in an effort to provide logistics services and products to the warfighter in a more effective, and economical manner. In developing this ALS process, a Direct Vendor Delivery (DVD) initiative was reviewed.

a. DVD is a type of ALS where the provision of material and/or services provided by a commercial vendor to meet a customer's requirement without the intervention of, nor the need for, organic inventory managers or intervening storage, material handling, and transportation systems, yet, it provides increased product availability, reliability, technology insertions, and obsolescence management at a lower cost. DVD encompasses, but is not limited to, the pursuit of partnering, teaming and work sharing with the private sector.

(1) Partnering. Mutually beneficial working arrangement between the public sector and private sector to maximize underutilized capacity, reduce costs, or efficiently manage operations. Partnering is authorized by Title 10, U.S. Code, Chapter 146, Section 2474.

(2) Teaming. A cooperative arrangement where depots sell goods and services to the private sector provided the goods or services sold to the private sector are not readily available in sufficient quantity or quality from any United States Commercial Source. Teaming may result in a public depot being a subcontractor. Teaming is authorized under Title 10, U.S. Code, Chapter 152, Section 2553. --

(3) Work Sharing. A cooperative arrangement where work is shared between a depot and the private sector. The parties operate under a work share agreement, Memorandum of Agreement (MOA), describing their relationship. Work sharing is a non-contractual relationship that requires no specific statutory authorization. Funding is provided directly to each party by the requiring activity.

2. Purpose. The goal of establishing this ALS process was to develop a teaming approach to review and implement ALS initiatives. It identifies procedures, relationships and responsibilities for processing ALS candidates.

a. Although this specific process is geared toward depot maintenance initiatives, teams are advised that it may be used for any alternative logistics support initiative. This process encompasses the necessary steps required to reach contract award on ALS initiatives. However, programs and review teams are encouraged to streamline the process per initiative as necessary. For example, although many alternative logistics

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solutions initiatives will warrant a full Source Selection Review Board process, smaller-scale initiatives may not require this amount of oversight.

b. In an effort to reduce the implementation time of this process, a dedicated effort of the core review team is essential. It is highly recommended that review teams of ALS initiatives establish a planning committee early to tailor this process as deemed necessary.

3. General. Notwithstanding any other lawful considerations, ALS/Outsourcing initiatives involving depot level repair are subject to the statutory limitations in Title 10, U.S. Code, Chapters 146 and 152. Normal Depot Maintenance Interservice Support Agreement (DMISA) policies apply. This cooperative agreement is required to ensure the programs success, compliance with public law, and best value.

4. ALS Candidate Procedure

a. Identify System or Candidate (Block-1). The process for determining ALS opportunities begins with the identification of candidates or systems. Candidates can be submitted to NAVICP by the contractor, by NAVAIR Program Offices or Depots, or by NAVICP teams. Each government organization will have its own internal processes to select potential ALS candidates for submission to NAVICP.

b. Do ALS Opportunities Exist? (Block-2). NAVICP, with the assistance of NAVAIR Program Offices, will determine if the candidate is acceptable by conducting initial technical and contractual screening. If the candidate is acceptable, then go to (Block 5 (Identify Cost and Benefits.)) If the Government decides the candidate is unacceptable, then go to (Block 3 (Does Program Office Concur?)). Initiative reviews should identify whether relevant A76 thresholds and/or Commercial Activity (CA) implications are satisfied.

c. Does Program Office Concur? (Block-3). If the NAVAIR Program Executive Office (PEO), with input from Program Management (AIR-1.0) where appropriate, agrees that ALS opportunities do not exist, then proceed to (Block 4 (Leave as is / Planned)) and the cycle ends. If the NAVAIR PEO does not agree, proceed to (Block 5 (Identify Cost and Benefits)) in order to gain details about the proposal's cost(s) and benefit(s).

d. Leave As Is / Planned (Block-4). Cycle is terminated. ALS opportunities do not exist and initiative review does not proceed.

e. Identify Cost and Benefits (Block-5). For those candidates deemed acceptable by NAVICP and the Program Offices, the next step will be to identify all relevant benefits. All evaluation team members assist with this step, including AIR-3.0/4.0/6.0, NAVICP, and the contractor. This step is a preliminary look at costs and benefits, and programs are encouraged to take this step early in the process to see if the proposal makes dollar sense. As proposal parameters are defined, teams are expected to modify cost analyses as necessary. Cost benefits and include engineering, operations, and support costs

associated with the repairable component, Packaging, Handling, Storage & Transportation (PHS&T), organizational, intermediate, and depot level maintenance dollars. It is critical for the Government to determine its appropriate funding flow(s) or source(s) and costs of doing business in traditional procedures during this step. Once this initial review of costs and potential benefits has been completed, proceed to (Block 6 (Does System Exceed 50/50 following 2466?))

f. Does Candidate/System Exceed Navy 50/50 Threshold Following 2466? (Block-6). AIR-6.0, with assistance from Counsel (AIR-7.7), and AIR-3.0, will determine if the workload candidate meets the requirements of Title 10, U.S. Code, Chapter 146, Section 2466 which limits depot maintenance contracting by non-government personnel to no more than 50 percent of funding. This statutory requirement asks, "Would commercialization of this workload cause the Navy to exceed its 50/50 threshold?" If the candidate/system would cause the Navy to exceed the 50/50 threshold, then go to (Block 10 (Do Cooperative Opportunities Exist?)) to explore other options. If the candidate/system does not cause the Navy to exceed its 50/50 threshold, then go to (Block 7 (Is Core Capability Required?)).

g. Is Core Capability Required? (Block-7). In cases where the candidate/system does not result in the Navy exceeding its 50/50 funding threshold, AIR-6.0, with the assistance of AIR-3.0/NAVJCP where appropriate, will determine if core capability is required. Core capability requirements are identified/quantified using a Department of Defense (DoD) prescribed methodology. The methodology separates the depot level workload that must be accomplished in public depots, for purposes of readiness and sustainability of Joint Chiefs of Staff (JCS) platforms, from workload that is suitable for performance by the private sector. If the candidate requires core capability be maintained in a public facility, a sufficient amount of workload will be performed by that government facility to maintain efficiency in that facility. However, since all other logistics elements may be contracted out, proceed to (Block 10 (Do Cooperative Opportunities Exist?)) where the Government will investigate the existence of any cooperative opportunities. NOTE: If the candidate is deemed core, but the Government will not stand-up organic capability for several years, a cooperative opportunity may still exist, though adjustments may be required on the contractual base period. If the candidate is considered non-core, go to (Block 8 (Is Candidate Currently Being Reworked In a Public Depot?)).

h. Is Candidate Currently Being Reworked in a Public Depot? (Block-8). If the candidate is currently reworked in a public depot, AIR-6.0 will evaluate if the workload candidate meets the requirements of Title 10, U.S. Code, Chapter 146, Section 2469. That is, if the candidate is currently postured in a public depot, go to (Block 9 (Does System Exceed \$3 million following 2469?)). Section 2469 states that before moving workload with an annual value of \$3 million or greater from a public facility. "Competitive procedures for competitions among private and public sector entities" must take place to move workload. To move workload to another public facility, "merit based selection procedures for competition among all depot-level activities of the DoD must take place. In the event the candidate is not postured in a public depot, an analysis is not

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required by Title 10, U.S. Code, Chapter 146, Section 2469; proceed to (Block 10 (Do DVD Opportunities Exist?)) where the Government will identify any ALS teaming opportunities and alternatives.

i. Does System Exceed \$3 Million Following 2469? (Block-9). AIR-6.0 will determine whether the system exceeds the \$3 million dollar rule following Title 10, U.S. Code, Chapter 146, Section 2469. If the system does exceed the \$3 million rule, proceed to (Block 2 (Do ALS Opportunities Exist?)) to ensure that the program office is prepared to follow any applicable Section 2464 processes necessary when \$3 million rule is exceeded. If the system does not exceed \$3 million dollar rule, proceed to (Block 10 (Do Cooperative Opportunities Exist?)) where the Government will determine if other ALS opportunities exist.

j. Do Cooperative Opportunities Exist? (Block-10). If the candidate/system results in the Navy exceeding its 50/50 funding threshold or Core Capability are required, NAVICP, in coordination with AIR-3.0/6.0 and the contractor, will identify various teaming opportunities and alternatives. However, an efficient level of depot maintenance (touch labor) must be kept in the public sector. The identification will encompass work opportunities and alternatives where the public sector sells goods and services (under authority of Title 10, U.S. Code, Chapter 152, Section 2553) to the commercial sector (under authority of Title 10, U.S. Code, Chapter 146, Section 2474), or work share with the private sector which requires no legislative authority. When cooperative opportunities do not exist go to (Block 3 (Does Program Office Concur?)). If any cooperative opportunities do exist, then go to (Block 11 (Operational Command)).
NOTE: AIR-3.0 is responsible for determining level or degree of repair that is required on a particular candidate. However, once it is determined that depot level repair is required, AIR-6.0 submits a recommendation for source of repair to the program office.

k. Operational Command (Block-11). If in Step 10, alternative cooperative opportunities are deemed by the Government to exist, AIR-3.0/PEOs will verify with the fleet Type Commanders (TYCOMs,) whether the alternative cooperative opportunity will meet the needs of the fleet. If the TYCOMs do not agree that the alternative opportunity will meet their needs, then proceed to (Block 3 (Does Program Office Concur?)). However, if the TYCOMs find value (for example, increased reliability, lower total ownership costs, etc.) in the cooperative opportunity, then proceed to (Block 12 (Finalize and Approve)).

l. Finalize and Approve (Block-12). If the TYCOM agrees that the cooperative opportunity will benefit the fleet customer(s), then AIR-3.0/4.0/6.0/7.7, Program Offices, NAVICP, and the contractor will develop criteria on which to base the proposal decision. The minimum criteria will include a management plan, technical assessment, and cost evaluation. Formal negotiations will be conducted between the Government and contractor. The Government will finalize technical and cost analyses and the Government-contractor team will finalize the acquisition strategy/plan. Once the proposal evaluation criteria are developed, the Government Source Selection Executive

Board (SSEB) format for approval/authorization may be used if the initiative's evaluation teams deem necessary. (An SSEB, for example, may be comprised of Government Logistics, Industrial Operations, and Supply components and the Program Office. The SSEB will assess the proposal based on a management approach, technical evaluation, and cost criteria.) All government comments/issues on the proposal must be resolved prior to any communication with the contractor. Any anticipated changes in the schedule must be presented to the Government/SSEB and the release of any information to the contractor must have the approval of the Government contracting agent/SSEB. When the proposal evaluation team, and/or the SSEB, is satisfied with the management, technical, and cost analyses as well as the finalized acquisition plan/strategy, proceed to (Block 13 (Report to Congress)).

m. Report to Congress (Block-13). The NAVAIR Program Office, with the assistance of NAVICP, AIR-3.0/7.7 and/or the contractor, will submit a report to Congress on the candidate/system selected by the alternative/cooperative opportunity's evaluation team, and/or the SSEB (where appropriate), where a benefit has been determined to exist. This 30-day Congressional notification is the final gate to be passed prior to contract award and cooperative opportunity implementation, (Block 14).

n. Implement /Contract Award (Block-14). NAVAIR Program Managers, AIR-3.0/6.0, TYCOM, NAVICP, and the contractor will begin implementation following U.S. Code Title 10 statutory parameters.

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